

Message Text

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PAGE 01 KARACH 02615 201036Z

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ACTION EB-11

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R 200635Z DEC 73
FM AMCONSUL KARACHI
TO SECSTATE WASHDC 7728
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AMEMBASSY ISLAMABAD
AMCONSUL LAHORE

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E.O. 11652: N/A
TAGS: EIND, PK
SUBJECT: MAIN CONTRACT FOR CONSTRUCTION WPIDC
FBRILIZER PLANT AT MULTAN SIGNED

REF: A. KARACHI 2459 (NOTAL)
B. ISLAMABAD 10928 (NOTAL)

BEGIN SUMMARY: KELLOGG AND WPIDC SIGNED \$44 MILLION
CONTRACT FOR MULTAN FERTILIZER PLANT DECEMBER 19 AFTER
DELAYS CAUSED BY RIVAL CONSORTIUM. KELLOGG GRATEFUL FOR
SUPPORT GIVEN BY EMBASSY AT CENTRAL GOVERNMENT LEVEL
DURING PAST WEEKS. END SUMMARY

1. VICE PRESIDENT GUY O'CONNELL OF KELLOGG INTERNATIONAL
AND WPIDC OFFICIAL SIGNED IN KARACHI DECEMBER 19 THE \$44
MILLION CONTRACT FOR ENGINEERING, PROCUREMENT, ERECTION
AND COMMISSIONING OF BASIC AMMONIA PLANT FOR NEW
WPIDC FERTILIZER COMPLEX AT MULTAN, WHICH WILL USE GAS
FROM NEARBY SUI FIELD. SIGNING FOLLOWED FIVE TENSE WEEKS
OF DELAY DURING WHICH KELLOGG, ALTHOUGH BIDDER FAVORED BY
WORLD BANK AND WPIDC, FINALLY OVERCAME OPPOSITION
FROM RIVAL SNAM CONSORTIUM REPRESENTED IN ISLAMABAD
BY EMBASSIES OF COUNTRIES PARTICIPATING IN SNAM. AT
LUNCH FOLLOWING SIGNATURE, O'CONNELL EXPRESSED PARTICULAR
APPRECIATION FOR ASSISTANCE GIVEN BY EMBASSY DURING VISITS
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PAGE 02 KARACH 02615 201036Z

TO ISLAMABAD, WHICH HE BELIEVED WAS IMPORTANT IN BRINGING
ABOUT FINAL GOP APPROVAL FOR AWARD OF CONTRACT TO KELLOGG.

2. FOREIGN EXCHANGE COSTS OF AMMONIA PLANT TO BE FINANCED BY \$35 MILLION WORLD BANK LOAN, WHICH ALREADY APPROVED IN PRINCIPLE AND ON WHICH FORMAL DECISION EXPECTED BY KELLOGG IN FEBRUARY 1974. CONTRACT FOR DOWNSTREAM NITRIC ACID AND NITRO PHOSPHATE PORTION WPIDC COMPLEX, WHICH WILL BE FINANCED BY \$27 MILLION ADB LOAN, WAS SIGNED ON NOVEMBER 10 BY WPIDC WITH GERMAN FIRM, FRIEDRICH UHDE. KELLOGG CONTRACT WOULD HAVE BEEN SIGNED A WEEK LATER IF LAST MINUTE SNAM INTERFERENCE NOT ENCOUNTERED.

3. OF TOTAL \$92 MILLION INVESTMENT IN MULTAN COMPLEX, \$74 MILLION WILL BE FOR IMPORTED EQUIPMENT AND REMAINDER IN LOCAL COSTS. OF EQUITY PORTION TOTAL INVESTMENT, WPIDC WILL PROVIDE EQUIVALENT OF \$26 MILLION, MOSTLY IN RUPEES, AND ABU DHABI \$11.4 MILLION IN FOREIGN EXCHANGE. REMAINDER OF PROJECT TO BE FINANCED FROM WORLD BANK AND ADB LOANS. PLANT TO PRODUCE TOTAL OF 817,000 TONS FERTILIZER PER ANNUM OF WHICH 310,000 TONS WILL BE NITRO PHOSPHATE, 435,000 CALCIUM AMMONIUM NITRATE (CAN) AND 72,000 TONS UREA.

4. ACCORDING TO KELLOGG AND WPIDC REPRESENTATIVES WITH WHOM CONGENCF SPOKE SHORTLY AFTER SIGNING, KELLOGG WILL GO OUT TO INTERNATIONAL TENDER UNDER WORLD BANK LOAN FOR PLJ T EQUIPMENT ON PIECEMEAL BASIS AS PLANT DESIGNS ARE COMPLETED, STARTING IN MARCH 1974 AND CONTINUING OVER NEXT YEAR. KELLOGG WILL ADVERTISE PROJECT WO LDDE IN MAJOR TRADE PUBLICATIONS STARTING JANUARY 1974, WHEN QUALIFIED FIRMS WILL BE INVITED TO REGISTER FOR PARTICIPATION IN FUTURE BIDDING. COMPLEX, WHICH WILL BE BUILT ADJACENT TO PRESENT WPIDC FERTILIZER PLANT OUTSIDE MULTAN, SCHEDULED FOR COMPLETION ABOUT JULY 1976. ABOUT DOZEN FOREIGN EXPERTS, MAINLY U.K. NATIONALS FROM KELLOGG INTERNATIONAL LONDON OFFICE WILL SUPERVISE AMMONIA PLANT CONSTRUCTION. ANOTHER DOZEN GERMAN EXPERTS WILL BE INVOLVED IN UHDE PORTION OF PLANT CONSTRUCTION.

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PAGE 03 KARACH 02615 201036Z

5. COMMENT: IN VIEW CONTRACT SIGNATURE, WPIDC MULTAN PLANT IS NOW FRONT RUNNER AMONG MAJOR NEW FERTILIZER PROJECTS WHIVT HAVE BEEN IN PRELIMINARY PLANNING STAGE OVER THE PAST YEAR. FAUJI PROJECT, BASED ON GAS FROM MARRI FIELD, PROBABLY NEXT IN LINE IF FINANCING WORKED OUT AND IS ABOUT EIGHT MONTHS DOWN THZ49-\$, ACCORDING TO WELL-INFORMED WPIDC GENERAL MANAGER FOR CHEMICAL INDUSTRIES.
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